



## TAKING NOTE OF ANSWERS IN QUESTION TIME MEDICARE LEVY SURCHARGE BUDGET MEASURE (2008/09)

By Senator Mathias Cormann on 17 June 2008

**Senator CORMANN** (Western Australia) (3.15 pm)—I also rise to take note of the answer provided by Senator Ludwig. In his answer today, the minister again tried to defend a bad public policy decision by ignoring the facts and totally ignoring the impact on our public hospitals. The challenge for any government is to set up a policy framework that will ensure that all Australians have affordable and timely access to quality hospital care. In Australia, we aim to achieve that through a mixed health system, with a public hospital component and a private hospital component. When we last came into government in 1996, that system was totally out of balance. In 1996, private health insurance membership was in free fall. It bottomed out at 30 per cent before we were able to turn the ship around. How did we turn that ship around? Through a three-pillar policy supporting Australians who were prepared to take additional responsibility for their own healthcare needs by taking out private health insurance. This was done through the 30 per cent rebate, through lifetime health cover and yes through the Medicare levy surcharge policy. Those policies were exceptionally successful.

In the 12 months between December 2006 and December 2007, nearly 400,000 additional Australians took additional responsibility for their own healthcare needs by taking out private hospital insurance. By December 2007, 9.4 million Australians had taken out private hospital insurance. Now we have a government that comes up with a Treasury-driven bad public policy which is ill thought out and short-sighted and will have a devastating impact on our public hospitals. What did we find out in the Senate estimates process? Treasury did not understand the difference between what is called in industry jargon 'single equivalent units' and 'persons covered'. 'Single equivalent units' are adults. 'Persons covered' are adults, including their dependant children. That is why the Treasurer was out there for weeks on end trying to tell Australians that only 485,000 people would leave private health insurance as a result of this measure. We have found out since then that it is going to be significantly more; it is going to be well in excess of 700,000 people.

We then tried to assess the impact on public hospitals. If you look at the budget papers, the government expects to save \$959.7 million as a result of not having to pay the private health insurance rebate to those Australians who will leave private health insurance as a result of this measure. Yes, there will be a loss in revenue of \$660 million, but that means that the government is still \$300 million in front. Today the minister said, 'We're providing a \$600 million package to compensate for this and reduce waiting lists.' That answer was misleading because, if the minister looks at his own budget papers, there is \$300 million, which is made up of a first stage—\$150 million to immediately reduce waiting lists—and the second \$150 million is funding into infrastructure and not into services. The second stage of \$300 million is actually only available if the state governments meet certain performance targets. There is absolutely no way that the states can meet those performance targets, due to the impact of this

measure. The states will never be able to get access to their \$300 million. Quite frankly, this is just a farce. The Commonwealth is actually in a cost-neutral position on this.

As a result of this measure, \$960 million no longer has to be spent by the Commonwealth due to people leaving private health insurance. That is only the 30 per cent private health insurance rebate. The total funding lost to the health system as a result is well in excess of \$3 billion. When we asked questions in estimates about whether the Commonwealth had consulted with the states or modelled, costed or in any way assessed the impact of this measure on state public hospitals, the answer was, 'No, we have not.' Treasury said, 'We don't cost, model or assess second-round effects.' What a joke! There is a tsunami of additional demand about to hit public hospitals across Australia. We have a Prime Minister who, in the lead-up to the election, was telling Australians that he would end the blame game and would start a new era of cooperative federalism in health. Yet here they are taking \$3 billion out of the Australian health system without any meaningful compensation and trying to hide it through smoke and mirrors. It is an absolute disgrace. Quite frankly, there is a very serious need for some additional scrutiny on the impact of this measure. *(Time expired)*